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ANNUAL AUDITED REPORT  
FORM X-17A-5 **X**  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 The **Washington DC**

MAR 01 2017

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:  
**Banorte-IXE Securities International, Ltd.**  
(Filed as Confidential Information)

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO.      |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**140 East 45<sup>th</sup> Street, 32<sup>nd</sup> Floor**  
(No. and Street)

**New York** **NY** **10017**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Jose Saa** **212-484-5231**  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Cohen & Schaeffer P.C.**

(Name - if individual, state last, first, middle name)

**420 Lexington Ave. Suite 2450** **New York** **New York** **10170**  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

|                              |
|------------------------------|
| <b>FOR OFFICIAL USE ONLY</b> |
|                              |

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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**BANORTE-IXE SECURITIES INTERNATIONAL, LTD.**  
(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)

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*December 31, 2016*

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# COHEN & SCHAEFFER

P.C. CERTIFIED PUBLIC ACCOUNTANTS

420 LEXINGTON AVENUE

SUITE 2450

NEW YORK, NY 10170

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder  
of Banorte IXE Securities International.,  
New York, NY

We have audited the accompanying statement of financial condition of Banorte IXE Securities International Ltd as of December 31, 2016 that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statements of financial condition. Banorte IXE Securities International Ltd.'s management is responsible for the statement of financial condition. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial condition of Banorte IXE Securities International Ltd as of December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.



Cohen & Schaeffer P.C.  
New York, NY

February 28, 2017

**BANORTE-IXE SECURITIES INTERNATIONAL, LTD.**  
(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)

**Statement of Financial Condition**  
**As of December 31, 2016**

| <b>Assets</b>   | <b>2016</b>          |
|---|----------------------|
| Cash and Cash Equivalents—Includes (\$4,334,199 invested in money market accounts)                            | \$ 7,859,019         |
| Securities Owned—At fair value  | 162,148              |
| Due from Clearing Broker  | 1,020,802            |
| Accounts Receivable (Note 4)  | 1,192,498            |
| Furniture, Equipment, Software and Leasehold Improvements<br>(net of accumulated depreciation of \$1,738,492) | 1,725,091            |
| Income Tax Prepaid (Note 7)   | 192,552              |
| Prepaid Expenses  | 361,595              |
| Deferred Income Tax (Note 7)  | 641,265              |
| Security Deposits   | <u>373,103</u>       |
| Total Assets  | <u>\$ 13,528,073</u> |
| <br><b>Liabilities and Stockholder's Equity</b>   |                      |
| <b>Liabilities</b>  |                      |
| Accrued Compensation  | \$ 390,110           |
| Accounts Payable and Accrued Expenses (Note 4)  | <u>424,280</u>       |
| Total Liabilities   | <u>814,390</u>       |
| <br><b>Stockholder's Equity</b>   |                      |
| Common Stock (no par value, 200 shares authorized, 50 shares issued and outstanding)                          | 500                  |
| Additional Paid-in Capital  | 12,668,578           |
| Accumulated Deficit   | <u>44,605</u>        |
| Total stockholder's equity  | <u>12,713,683</u>    |
| Total Liabilities and Stockholder's Equity  | <u>\$ 13,528,073</u> |

The accompanying notes are an integral part of these financial statements.

# BANORTE-IXE SECURITIES INTERNATIONAL, LTD

(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)

## Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)

### 2. ORGANIZATION AND DESCRIPTION OF BUSINESS

Banorte-IXE Securities International Ltd. (the "Company"), an indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V. ("Bolsa"), is a New York corporation which was organized in February 1992 and commenced operations in August 1993. The Company trades in Mexican and U.S. securities, primarily on the Mexican stock exchange and the over the counter markets. The Company is an introducing broker-dealer.

The Company receives commission on all trades introduced during the year.

All domestic securities transactions are cleared through clearing brokers on a fully disclosed basis and, accordingly, the Company does not carry securities accounts for these customers or perform custodial functions relating to their securities. The Company is registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority Inc (FINRA). Receivable from clearing brokers consists primarily of cash balances held at the clearing brokers. The Company is also a member of Securities Investors Protection Corporation (SIPC).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). These financial statements were approved by management and available for issuance on February 28, 2017.

The significant accounting policies followed in the preparation of the financial statements on a consistent basis are:

#### Cash and cash equivalents

The Company defines cash and cash equivalents as highly-liquid investments with original maturities of three months or less at the time of purchase, other than those held for sale in the ordinary course of business. At December 31, 2016 substantially all of the Company's financial instruments are carried at fair value or amounts approximating fair value.

#### Fixed assets

Furniture, equipment, software and leasehold improvements are recorded at cost, net of accumulated depreciation and amortization. Furniture, equipment and software are depreciated on a straight-line basis over the estimated useful life of three to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of their economic useful lives or the terms of the underlying lease.

#### Securities transactions

Securities transactions of the Company and the related revenues and expenses are recorded on a trade-date basis. Securities owned are stated at market value. Net realized and unrealized gains and losses are reflected in trading in the statement of income.

# **BANORTE-IXE SECURITIES INTERNATIONAL, LTD**

**(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)**

## **Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those amounts. Significant estimates include taxes, certain income and receivables, and accrued compensation.

#### **Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, while the income statement accounts are translated at rates of exchange through out the year. Gains or losses resulting from foreign currency transactions are included in net income.

#### **Revenue recognition**

Commissions and fee revenue and expenses are recorded on a trade date basis.

#### **Income Taxes**

The Company accounts for income taxes in accordance with ASC 740, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes is comprised of state and local taxes computed on a basis other than net income.

ASC 740-10-25 prescribes a comprehensive model of how companies should recognize, measure, present and disclose uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740-10-25, the Company shall initially recognize tax positions in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. The Company shall initially and subsequently measure such tax positions as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. The Company has reviewed and evaluated the relevant technical merits of each of its tax positions and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company as of December 31, 2016.

# BANORTE-IXE SECURITIES INTERNATIONAL, LTD

(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)

## Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)

### 3. SECURITIES OWNED

Details of securities are as follows:

|                         | 2016              |
|-------------------------|-------------------|
| Certificates of Deposit | \$ 162,148        |
|                         | <u>\$ 162,148</u> |

### 4. RELATED-PARTY TRANSACTIONS

The Company has an agreement with Casa de Bolsa Banorte-IXE for the use of certain Institutional referral services. Detail of related party transactions and balances are as follows:

| Parent Company:                   | 2016       |
|-----------------------------------|------------|
| Commission Referral Fees          | \$ 259,387 |
| Accounts Receivable Referral Fees | 17,916     |
| Accounts Receivable               | 587,742    |

The Company has an informal cost sharing arrangement based on a cost plus a percentage mark up on expense which results in a charge to the company if revenue as defined exceeds the cost plus the percentage as calculated. During the year ended December 31, 2016 the aforementioned calculation resulted in the Company incurring no charges from the parent or its affiliate to record in the financial statements

### 5. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) plan in accordance with IRS regulation. All eligible employees, as defined may elect to contribute to the plan. The Company matches 100% up to the first 10% of the amount contributed by each employee. The Company's contribution was \$167,126 for the year ended December 31, 2016.

### 6. FURNITURE, EQUIPMENT, SOFTWARE AND LEASEHOLD IMPROVEMENTS

Details of furniture, equipment, software and leasehold improvements are as follows:

|                                | 2016                |
|--------------------------------|---------------------|
| Construction in Progress       | \$ 31,246           |
| Equipment                      | 1,004,115           |
| Furniture and fixture          | 371,441             |
| Leasehold improvements         | 1,912,575           |
| Software cost                  | 144,206             |
|                                | <u>3,463,583</u>    |
| Less: accumulated depreciation | <u>(1,738,492)</u>  |
|                                | <u>\$ 1,725,091</u> |

## BANORTE-IXE SECURITIES INTERNATIONAL, LTD

(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)

### Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)

#### 6. FURNITURE, EQUIPMENT, SOFTWARE AND LEASEHOLD IMPROVEMENTS (CONT.)

Depreciation and amortization expense related to furniture, equipment, software and leasehold improvements for the year ended December 31, 2016 was \$420,830.

#### 7. INCOME TAXES

The provision for income taxes for the period ended December 31, 2016 consists of the following:

|                       |    |                  |
|-----------------------|----|------------------|
| Federal               | \$ | 2,719            |
| State and local       |    | <u>5,552</u>     |
| Total                 | \$ | 8,271            |
| Deferred Taxes        |    | <u>(641,265)</u> |
| Benefit of income tax | \$ | <u>(632,994)</u> |

A reconciliation of the statutory income tax provision to the effective income tax provision is as follows:

|   |    |                |
|---|----|----------------|
| Tax benefit provision at statutory rate (34%) | \$ | 120,169        |
| Federal, State and local tax                  |    | 8,271          |
| Reduction in valuation allowance              |    | <u>504,554</u> |
| Benefit of income tax                         | \$ | <u>632,994</u> |

Income tax prepaid as of December 31, 2016 of \$192,552 is net of tax provision of \$8,271.

The major sources of temporary differences and their deferred tax effect at December 31, 2016, are as follows:

|                                |    |                |
|--------------------------------|----|----------------|
| Deferred tax asset             |    |                |
| Net operating loss benefit 34% | \$ | 565,490        |
| Depreciation                   |    | (18,840)       |
| Rent                           |    | <u>94,615</u>  |
| Net deferred tax asset         | \$ | <u>641,265</u> |

The Company has available, at December 31 2016, unused operating losses carry-forward of \$1,663,206, which may be applied against future taxable income expiring in various years through 2031.

# BANORTE-IXE SECURITIES INTERNATIONAL, LTD

(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)

## Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)

### 7. INCOME TAXES (CONT.)

The Company files Federal, New York State, Texas and New York City income tax returns as a C corporation. Generally the Company is no longer subject to income tax examination by major taxing authorities for year before 2012. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income amount the relevant tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

### 8. COMMITMENTS AND CONTINGENCIES

The Company leases spaces in Texas and New York under lease agreements which terminate in 2020 and 2022 respectively. Future minimum lease payments, at December 31, 2016 are:

**Years Ending  
December 31**

|      |                     |
|------|---------------------|
| 2017 | 730,529             |
| 2018 | 740,198             |
| 2019 | 741,110             |
| 2020 | 702,502             |
| 2021 | 683,046             |
| 2022 | 569,205             |
|      | <u>\$ 4,166,590</u> |

Rent expensed for the year was \$658,094, which included other occupancy costs totaling \$58,999.

Accounts payable and accrued expenses includes deferred rents of \$278,278 in connection with the above lease agreements.

A certificate of deposit of \$373,103 is pledge to a third party as collateral for the New York lease agreement

#### Other commitments

In the normal course of business, the Company's clearing broker is exposed to risk of loss on customer transactions in the event of a customer's inability to meet the terms of its contracts. The clearing broker may have to purchase or sell securities at prevailing market prices in order to fulfill the customer's obligations. The Company has agreed to indemnify the clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company. The Company has no maximum amount and believes there is no estimable amount because this right applies to all trades executed through the clearing broker and would be based on the future non-performance of one or more clearing brokers. At December 31, 2016, the Company has not recorded any liabilities with regard to the right. The Company has the ability to pursue collection from or performance of the counterparty

# **BANORTE-IXE SECURITIES INTERNATIONAL, LTD**

**(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)**

## **Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)**

### **9. OFF-BALANCE-SHEET RISK AND CONCENTRATION RISK**

A portion of the Company's assets are held at a clearing broker. The Company is subject to credit risk should the clearing broker be unable to fulfill these obligations.

Financial instruments sold, but not yet purchased resulting from certain unmatched principal transactions represents obligations of the Company to purchase the specified financial instrument at the current market price. Accordingly, although these are generally short-term in nature, these transactions result in off-balance-sheet risk as the Company's ultimate obligation to purchase financial instruments sold, but not yet purchased, may exceed the amount recognized in the Statement of Financial Condition. At December 31, 2016, the Company did not have any financial instruments sold, but not yet purchased.

The Company maintains cash balances at a regulated financial institution in excess of FDIC-insured limits of \$250,000. However, the Company does not believe that these amounts are exposed to significant risk and will consider taking steps to address the change in risk in the future.

### **10. FAIR VALUE MEASUREMENT**

As defined in ASC 820-10, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820-10, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities, the Company has the ability to access.

Level 2 - Inputs, other than quoted prices included in Level 1, are either directly or indirectly observable, for the asset or liability.

Level 3 - Unobservable inputs reflect management's best assumptions of what market participants would use in pricing the asset or liability at the measurement date. The unobservable inputs should be developed based on the best information available in the circumstances and may include the company's own data.

An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation.

As of December 31, 2016, financial instruments owned by the Company primarily consist of cash and cash equivalents and are classified as Level 1. No Level 2 or Level 3 assets were owned by the Company as at December 31, 2016.

# **BANORTE-IXE SECURITIES INTERNATIONAL, LTD**

**(An indirect wholly-owned subsidiary of Casa de Bolsa Banorte-IXE, S.A. de C.V.)**

## **Notes to Financial Statements For the year ended December 31, 2015 (Expressed in United States Dollars)**

### **11. REGULATORY REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's ("SEC") Uniform Net Capital Rule (the "Rule") and has elected to compute its net capital under the Basic Method of this Rule. This Rule requires that the Company maintain minimum net capital, as defined, equal to the greater of \$100,000 or 6-2/3 percent of aggregate indebtedness, as defined. At December 31, 2016, the Company had net capital of \$8,226,670 which was \$8,126,670 in excess of its required net capital. The Company's aggregate indebtedness to net capital ratio was 0.10. to 1.

The Company is exempt from the provisions of SEC Rule 15c3-3 under paragraph (k)(2)(ii).

All customer transactions are cleared on a fully disclosed basis through a clearing broker.

### **12. SUBSEQUENT EVENTS**

The Company evaluated subsequent events from January 1, 2017 to February 28, 2017 the date of issuance of the financial statements and concluded that there are not significant events.

\* \* \* \* \*

OATH OR AFFIRMATION

I, Jose Saa, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Banorte -IXE Securities International LTD, as of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company, nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

Jose Saa  
Signature

Chief Financial Officer  
Title

[Signature]  
Notary Public

Sworn to before me  
on Feb. 28 2017

